



## Tariff By-Law



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## **Introduction**

The purpose of this document is aimed at ensuring that the Midvaal Local Municipality adopts and implements a Tariff by-law on the levying of fees for municipal services provided by the municipality itself, or by way of service delivery agreements, which comply with the provisions of the Municipal Systems Act and with any other applicable legislation.

## **Legislative Framework**

In terms of Section 76 of the Local Government Municipal Systems Act 2000, a municipality may provide a municipal service in its area or a part of its area through:

- ❑ an internal mechanism which may be a department or other administrative unit or business unit within its administration; or
- ❑ an external mechanism by entering into a service delivery agreement with a municipal entity, another municipality or an organ of state, a community based organisation or any other institution

If a municipality decides to provide a municipal service through an internal mechanism, then section 96 of the Local Government Municipal Systems Act 2000 (The Act) requires that:

- ❑ it must collect all money that is due and payable to it; and
- ❑ it must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies.

The Act further requires in section 95(d) and (e) that:

- ❑ where consumption of services has to be measured, a municipality must take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems;
- ❑ the municipality must ensure that persons liable for payments, receive regular and accurate accounts that indicate the basis for calculating the amounts due.

## **Tariffs**

The Tariff policy must comply with the requirements of section 74 of the Municipal Systems Act, specifically placing emphasis on the following requirements:



- ❑ Users of municipal services should be treated equitably in the application of tariffs
- ❑ The amount individual users pay for services should generally be in proportion to their use of that service
- ❑ Poor households must have access to at least basic services through:
  1. Tariffs that cover only operating and maintenance costs
  2. Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service, or
  3. Any other direct or indirect method of subsidisation of tariffs for poor households.
- ❑ Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges
- ❑ Tariffs must be set at levels that facilitate the financial sustainability of the service taking into account subsidisation from sources other than the service concerned
- ❑ Provision may be made in appropriate circumstances for a surcharge on the tariff for a service
- ❑ Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users
- ❑ The economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged
- ❑ The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed

A tariff policy may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

The Tariff structure must be one that recovers cost for providing economical services and results in profit on trading services.